

**MINUTES
of the
FIFTH MEETING
of the
JOBS COUNCIL**

**October 16, 2014
Room 307, State Capitol
Santa Fe**

The fifth meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on October 16, 2014 at 10:27 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Rep. Donald E. Bratton
Terry Brunner
Rep. Stephanie Garcia Richard
Sen. Phil A. Griego
Beverlee J. McClure
Rep. Rick Miera
Sen. George K. Munoz
Rep. Debbie A. Rodella
Alex O. Romero

Advisory Members

Rep. Mary Helen Garcia
Rep. Patricia A. Lundstrom
Sen. Michael Padilla
Rep. Don L. Tripp
Eric Witt

Absent

Ray M. Baca
Celina C. Bussey
Sen. Stuart Ingle
Sen. Michael S. Sanchez
Sen. Pat Woods

Sen. William F. Burt
Sen. Howie C. Morales
Sen. Steven P. Neville
Sen. John C. Ryan
Rep. Thomas C. Taylor
Rep. James P. White

Guest Legislator

Rep. Larry A. Larrañaga

Guest Member

Barbara Brazil, Deputy Cabinet Secretary, Economic Development Department (EDD), for Jon Barela, Secretary of Economic Development

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)

Raúl E. Burciaga, Director, LCS

Monica Ewing, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Thursday, October 16**Welcoming Remarks**

Representative Martinez welcomed the council and introduced recent council appointee Eric Witt. The council approved the minutes for its August and September meetings without objection.

Work Force Development Initiatives: Collaborating to Prepare for the Jobs of the Future

Suzanne Hultin, policy specialist for the National Conference of State Legislatures' (NCSL's) Education Program, summarized the history of and services offered by the NCSL. The NCSL has created the Foundation Partnership on Jobs and Innovation, which examines the role of policymakers in job creation. At its meetings, the partnership has discussed innovation, education, work force development, entrepreneurship and job creation.

Ms. Hultin said that in the coming years, the number of middle skill jobs — those that require a college certificate or an associate's degree — will increase, while the number of workers who are qualified for those jobs is likely to be insufficient to meet the demand. It is projected that by 2020, 62% of jobs in New Mexico will require worker education beyond a high school diploma.

In response to work force and jobs projections, several states have developed initiatives to align primary, secondary and post-secondary education programs with in-demand job skills. Ms. Hultin discussed initiatives in the states of Washington, Kentucky, Pennsylvania and Michigan.

In 2005, the State of Washington started the Integrated Basic Education and Skills Training (I-BEST) Program, which combines basic skills with college-level technical education that leads to a degree or certificate in an area of high-employment demand. The program emphasizes basic writing, math and word processing skills, along with soft skills, to prepare students for the workplace. Data show that students who participate in the I-BEST Program are nine times more likely to complete credential programs than students who do not participate. The successful program has been replicated in community colleges throughout the country.

In 2010, Toyota Motor North America, Inc., in Kentucky identified the need for workers with a new skill set and created a partnership with a community college to address that need. The partnership combines classroom instruction with on-the-job training in a Toyota manufacturing facility. Students earn up to \$30,000 per year while participating in the program and receive an associate's degree in applied science upon completion.

The Pennsylvania Industry Partnerships have been formed to bring employers, workers and career and technical educators together to address common work force needs. Industries represented through the partnerships are manufacturing, biomedicine, business, financial services and health care. Partnerships have been formed with approximately 6,300 businesses, and 73,000 employees are currently participating in or have completed the program's industry partnership worker training. Participants gain valuable job training and education and receive an average of 13% more in wages.

Realizing that it needed twice the number of workers with credentials and post-secondary degrees to recover from the recession, Michigan started its No Worker Left Behind program. Using Workforce Investment Act funds, the initiative provided participants with \$5,000 per year for two years to cover tuition and fees at community colleges or other educational institutions. Participation exceeded expectations; approximately 62,000 people signed up. On completion, more than 60% of the participants found employment and over half of the participants said that the program helped them in securing a job.

Regarding policymakers' role in work force development and job creation, Ms. Hultin recommended that legislators examine the state's existing, successful programs to determine whether they can be replicated or scaled for other communities in the state. She also suggested that policymakers work to identify funding sources for work force programs.

Questions

A council member asked how an aging work force is factored into the initiatives described. Ms. Hultin noted that the program in Kentucky was created in part because Toyota identified issues related to an aging and retiring work force. Another member stated that New Mexico's manufacturing sector comprises just 3% of the state's economy, meaning that manufacturing jobs are scarce. Ms. Hultin agreed that work force and job-creation initiatives need to be aligned with each state's economy so that job training is appropriate for the state's in-demand jobs.

A council member highlighted the successes of the national nonprofit SkillsUSA's work in New Mexico. The organization provides training for careers in culinary arts, block laying, welding and other areas. The member recommended that the program be expanded. Another member recalled that there are programs in the state that offer the opportunity to obtain a journeyman's license and college credit simultaneously, which the member believed was a useful way to structure job-training programs. Ms. Hultin added that some reports show that first-year earnings for welders are significantly higher than for graduates with bachelor's degrees.

Capitalizing the Rising Innovation-to-Enterprise Sector

Mark Lautman, lead program consultant for the Jobs Council, addressed the anticipated increase in the number of available jobs related to technology and innovation. He said that representatives from the Mid-Region Council of Governments estimated that they would be able to create 1,000 jobs each year over the next 10 years in these sectors.

Perry E. Bendicksen III, a lawyer with the Rodey Law Firm, spoke to the council about New Mexico's technology start-up enterprises' need for equity capital. Mr. Bendicksen noted some of the benefits to jobs in this sector, including the average start-up salary of over \$71,000, the fact that the industry collaborates well with the state's national laboratories and the fact that the industry's jobs have very little impact on the state's water resources and air quality.

Mr. Bendicksen said that technology start-ups need financing options in addition to the traditional credit cards, mortgages and loans from friends and family. Start-ups face a financing challenge because typically their only assets are personnel and intellectual property, and securing financing beyond initial investments and angel investments is the only way start-ups can grow to maturity.

Venture capital, said Mr. Bendicksen, is a creation of government that grew out of government pension fund investments. Venture capital investors tend to make investments in businesses located near them. He added that venture capital investments cycle in 10-year increments. During the first five years, investors' funds are invested, and during the second five years, the investments are harvested.

New Mexico's sovereign wealth fund is managed by the State Investment Council (SIC). Mr. Bendicksen recalled that changes to the SIC's administration now provide for the SIC to make venture capital investments, and he reviewed the applicable statutory changes. He said that from 2008 through 2014, just two venture capital investments had been approved by the SIC, but neither of them has closed. Based on the 10-year venture capital investment cycle and the lack of venture capital investments over the past six years, a whole generation of venture capital investments has been lost.

Mr. Bendicksen opined that the SIC has misinterpreted the legislature's directive to the SIC, and he reiterated the importance of the language in Section 7-27-5 NMSA 1978, which states that "differential rate investments" are permitted and "are intended to stimulate the economy of New Mexico and to provide income to the severance tax permanent fund". He added that the SIC's policy manual states that "the creation, retention or expansion of employment opportunities and economic growth in the state" is one of the SIC's objectives. Even if good New Mexico-business-based investments are difficult to identify, the state loses opportunities and economic-base jobs by investing in other states' ventures. He concluded by explaining a legislative proposal from the Association of Commerce and Industry (ACI) that would, among other things, require the SIC to invest no less than 7% of the Severance Tax Permanent Fund (STPF) in New Mexico companies.

Chris Madrid, executive director of Taos Entrepreneurial Network, explained a program operating in northern New Mexico that receives funding from Los Alamos National Laboratory and the United States Department of Agriculture (USDA). The program provides assistance with accessing capital to rural entrepreneurs who, he said, are essential to economic development and job creation in the state.

Mr. Madrid said that prior to the recession, he would easily connect client businesses with the capital needed to grow their businesses. Currently, he is having difficulty identifying sources of capital for clients, and he reported that this forces businesses to relocate out of state in order to expand.

Bill Bice, chair of ABQid, told the council about several of his successes as a businessman and entrepreneur who started his first company, ProLaw Software, when he was 19 years old. He said that fundamental change in New Mexico's economy is possible through support of existing in-state companies. He added that when a branch of an out-of-state business is recruited to New Mexico, the state does not receive the benefit of having the company's decision-makers located in the state.

Mr. Bice said that there are numerous technology innovators in Albuquerque that need assistance with turning their ideas into businesses. Currently, only one in 10 viable innovations is receiving support through investment, and it is critical that New Mexico begin to invest in its own entrepreneurs.

Kathy Keith, executive director for the Regional Development Corporation (RDC), reported that the Venture Acceleration Fund (VAF) is used to invest in the commercialization of technology, which, in turn, creates jobs. The fund was started in 2006 and is administered by the RDC. VAF funding is received through a competitive application process and has been used to invest in a diverse range of companies, including high-technology, software, environmental and value-added agriculture companies.

Ms. Keith told the council that Taos Mountain Energy Bars received assistance from the VAF that allowed the company to purchase equipment and packaging materials that would double the shelf life of its products, thus enabling the business to grow. She also highlighted the success of SportXast, a company started in Santa Fe, that received VAF funding and currently employs 16 people at its Silicon Valley location. She added that since 2006, the VAF has invested \$3.2 million in 49 companies, leading to 159 jobs and a return on investment of \$113.5 million.

Questions

A council member agreed that companies are relocating out of state because of a lack of venture capital in New Mexico and asked whether students are able to receive VAF funding. Ms. Keith responded that students are eligible and added that the RDC holds teen "start-up weekends" during which youth meet to discuss start-up ideas and business practices.

A member asked about venture capital funding needs and whether the businesses seeking funding are outside the metropolitan areas of the state. Mr. Bice said that \$50 million per year in credible investments could be made in companies in Albuquerque, and approximately \$180 million per year could be made in companies statewide if funding were available.

A council member noted that the ACI is considering holding an event that allows entrepreneurs to make quick business pitches and compete for funding.

In response to a question about how an entrepreneur decides that it is time to seek seed money to fund an idea, Mr. Bice said that Innovate ABQ is working to teach entrepreneurs the steps involved in starting a company. Innovate ABQ, a business incubator, identifies entrepreneurs who are willing to be coached in market demands to create viable businesses.

A council member asked about the ACT's legislative proposal, and Mr. Bendicksen explained that the law currently allows 9% of the STPF to be invested and that the SIC has a target of investing 5%; however, the entire 5% is not necessarily invested but may, instead, be encumbered or held for possible later investment. He emphasized that the concern addressed in the proposal is insufficient investment in the state's companies.

Another council member noted that, historically, a larger percentage of the STPF would be reinvested in the STPF, but more recently, a very small percentage of the STPF has been reinvested. The member asked how the security of the STPF is protected by increasing the amount that is required to be invested in New Mexico companies. Mr. Bendicksen responded that safeguards are important, but he is concerned that the SIC invests in too few New Mexico companies.

A council member said that STPF money comes in part from oil and gas revenues, which are finite. If the STPF is carefully managed, it will outlast the availability of oil and gas in the state.

A council member noted that investments from the STPF are already being made in out-of-state companies, and the legislative proposal simply requests that more of the investments be made in in-state companies. The member agreed that accountability and transparency are essential but argued that the state's investments should help create economic-base jobs in, rather than outside of, New Mexico.

Science Early Education Pilot Program

Anatoliy V. Glushchenko, chief academic advisor to See the Change USA (See the Change), spoke to the council on a program that brings physics into middle school classrooms. Mr. Glushchenko said that he was trained as a teacher in Ukraine and subsequently worked around the world as a teacher and physicist. He was surprised to learn that schools in the United States do not include physics in middle school curricula. Students in Europe and Asia receive

five to six years of physics instruction, which he believes accounts for why the United States underproduces technological talent while other countries overproduce technological talent.

See the Change provides teacher preparation, a year-round teacher support system and lesson plans to enable any teacher to deliver simple physics lessons. He added that simple physics instruction can help students' performance in other subjects, such as math, because it provides context and application to those other subjects.

David P. Csintyan, chief executive officer of See the Change, explained that in approximately three to four years, the effects of See the Change will be visible in the work force. The program's work force goals include producing employees who are critical thinkers across all disciplines and who are ready for work. The program currently has about 4,000 student participants being taught by 42 teachers in 10 schools in Colorado and in Gallup, New Mexico.

Mr. Csintyan outlined three performance measures that can be used to evaluate the program: 1) state assessments — one school experienced a 10% increase in scores after the program's first year; 2) curriculum assessments — internal student growth assessments administered one to three times per year; and 3) national assessment — the ACT Aspire assessment. He provided some testimonials from students and school teachers and administrators regarding their success with the program.

Dr. Wendy Birhanzel, an officer in the Instruction and Assessment Department of the Harrison School District Two in Colorado, discussed her experience with See the Change. Dr. Birhanzel said that she is from a family of educators and taught for many years. Eighty percent of the students in her school district receive free or reduced-fee lunches, and the district consists of 23 schools, including elementary, middle, high, high school preparatory, home and charter. Over 70% of the students are Hispanic or African American, and 20% are English-language learners. Currently, all of the schools in her district are participating in See the Change.

Dr. Birhanzel noted that the program supports students' needs and that its units incorporate Colorado's educational standards. Because Colorado has specialized science standards, See the Change worked with Dr. Birhanzel to ensure that those standards were incorporated in the program.

Acknowledging that teachers often feel overloaded with responsibilities, Dr. Birhanzel stressed See the Change's support of teachers and schools in implementing its program. The program provides initial meetings and lesson demonstrations; curriculum support and co-teaching; in-person and online teacher references and support; at least monthly check-ins; and ongoing meetings with schools to acquire feedback on the program. She added that if a particular part of the program does not work for a teacher or school, See the Change will help tailor the program to meet the teacher's or school's needs.

Dr. Birhanzel said that physics lessons are helping to develop more than students' science skills. Specifically, students' skills in math and critical thinking improve through the program. She added that students who belong to minority groups need role models in careers that have low minority representation, such as engineering. She said that test scores are starting to reflect the positive impact See the Change is having on students' overall proficiency in reading, writing, math and science, and she looks forward to the increased opportunities for students whose education includes physics instruction.

Questions

A council member asked the presenters if they understand why science and physics instruction has been given a low priority in schools. Mr. Glushchenko said that he believes it is partly due to an effort to relieve burdens on students and to make school more entertaining. He said that education should be exciting while providing fundamental instruction. The member also asked how See the Change has collaborated with state education departments. Mr. Csintyan responded that it is beneficial to See the Change that it is not pro- or anti-union or pro- or anti-parochial schools but, instead, seeks to deliver physics to as many middle school students as it can. He added that it helps for implementing the program for there to be visionary and prudent risk-taking administrators.

In response to a council member's question about how New Mexico should proceed if it wishes to implement a program like See the Change, Mr. Csintyan said that the program should initially be offered in schools that can provide a polarized comparison, which would be helpful in analyzing program success. Dr. Birhanzel suggested that the state should look for school districts that are excited about trying the program, rather than trying to force the curriculum on a school. She added that her district decided to offer the program in every school to ensure that students are treated equitably.

A council member expressed concerns with non-science-trained teachers being able to grasp and effectively deliver the lessons. Dr. Birhanzel said that in her district, See the Change provides teacher preparation time on Monday for the week's lessons. It also offers ongoing online lessons, videos and forums, which are helpful resources for teachers. She added that notebooking is part of the program, and administrators and See the Change representatives periodically engage in classroom observation in addition to lesson plan review. Mr. Csintyan added that See the Change has not seen even one teacher leave the program. Mr. Glushchenko noted that the program is designed so that any teacher with a bachelor's degree can deliver the lessons, and he gave an example of a simple lesson.

In response to a question, Mr. Csintyan said that the one-time cost of the curriculum is \$100 per student, and he added that See the Change has worked with school districts to bundle schools together for cost-effectiveness.

A council member suggested that See the Change should make a presentation to the Legislative Education Study Committee, and another member confirmed that the See the Change

presenters are scheduled to meet with the Public Education Department and noted the importance of ensuring equitable treatment of students to comply with the state equalization guarantee.

A council member noted that the only school in New Mexico that is currently delivering See the Change is a Catholic school in Gallup. The member added that if the program is successful in that school, she would be interested in implementing the program in all of the schools in her district. The member proposed that interested legislators tour the school. Mr. Csintyan added that the small school has minimal funding and is paying in small increments the cost of the program.

Regarding the program's teacher-to-student ratio, Dr. Birhanzel said that her school district aims to have a 1:25 ratio in middle school classes, but this program has been delivered to classrooms with wider ratios, such as 1:30.

In response to a question about transient students, Dr. Birhanzel said that because the program is delivered in all of her district's schools, students who transfer experience little setback. She added that remediation work on particular skills can be done within each of the lessons.

Update on the Regional Data-Gathering Process and the Online Jobs-Data Repository

Mr. Lautman reminded the council that one of its objectives is to compile county-level data on jobs, employment sectors, population and job-creation obstacles and to publish that information on an online dashboard. To collect the county-level data, jobs-assessment sessions with the North Central New Mexico Economic Development District, Eastern Plains Council of Governments, South Central Council of Governments and Northwest New Mexico Council of Governments have been conducted.

Charles Lehman, director of the Employment and Economic Information Center of New Mexico, reviewed printed examples of the pages to be included in the online dashboard. The dashboard will include information on the members of the council; the process followed by the council and regional entities; relevant definitions; and statewide, county-level and regional-level data related to job creation. Work on refining information and display of the dashboard continues.

Questions

In response to a question, Mr. Lehman said that the assistance of the Workforce Solutions Department and the Bureau of Business and Economic Research would be sought, as needed. Mr. Lautman added that the online dashboard is not intended to be a research exercise but is intended to assist communities with observing and reporting job-creation efforts and projections and observing specific concerns in their areas. This information will provide a picture of job creation in the state.

Mr. Lautman noted that the question of ownership and maintenance of the dashboard is under consideration, and it could be something that the councils of governments or the Economic Development Commission undertake.

A council member asked whether Mr. Lautman would be providing additional information on an initiative related to solo workers. Mr. Lautman said that the presentation would be scheduled for the next council meeting.

Barriers to Agricultural Products Small Business Growth

Ed Meintzer, owner of Eddie's Savory Food Products, LLC, informed the council of the difficulties he has encountered in securing financial assistance with expanding his business and distributing his products. He is interested in producing his products, rather than using a third party, but has encountered financial obstacles. Additionally, he noted that there are USDA funds that are available only to larger farming operations, and while he works directly with a farmer, he is unable to access those funds. Mr. Meintzer said that he will meet with a representative from United States Senator Tom Udall's office to ask for support in revising the rules governing the USDA funds to which he referred.

Questions

A council member asked Mr. Meintzer whether he uses the "New Mexican Grown" label on his products, and Mr. Meintzer said that he does not but may do so in the future. Other members suggested that he seek the assistance of his local small business development center and the EDD.

Adjournment

There being no further business before the council, the fifth meeting of the council for the 2014 interim adjourned at 4:44 p.m.